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UNCLAS HANOI 002752

SIPDIS

STATE PASS USTR FOR DSPOONER/CMILLER/EBRYAN
STATE FOR EAP/BCLTV AND EB/TPP/ABT/BTT
USDOC FOR OTEXA
BANGKOK FOR CUSTOMS ATTACHE
USDOC ALSO FOR 4431/MAC/AP/OPB/VLC/HPPHO
TREASURY FOR OASIA

E.O. 12958: N/A

TAGS: [KTEX](#) [ECON](#) [VM](#)

SUBJECT: Vietnam: Textile Quota Bribe Scandal - Part Two

REF: Hanoi 2620

1. Summary: The arrest of the son of a Vice Minister of Trade (who bears overall responsibility for textile quota allocation) added a new twist to the GVN's ongoing investigation into schemes by Ministry of Trade (MOT) officials to extract bribes in exchange for U.S. textile quota. Both English and Vietnamese language media are reporting extensively on the case. U.S. textile/garment buyers are concerned they the arrest of key officials could affect allocation of 2005 quota. End Summary.

2. On September 30, the Economic Police (part of the Ministry of Public Security) arrested two more MOT officials and an "intermediary" for alleged involvement in a textile bribery scandal. News reports did not directly link these arrests to the earlier arrests of other MOT officials reported reftel. One of the MOT officials arrested on September 30 is Mr. Mai Thanh Hai, the son the Vice Minister of Trade Mai Van Dau. According to press reports, Hai (who worked in the Export-Import Office of MOT) allegedly received 510 million Vietnamese Dong (approximately USD 32,000) in mid-2003 as part of a 1.5 billion VND bribe (approximately USD 94,000) paid by a textile company in return for textile quota. When the company only received half the quota it expected, it demanded its money back. Articles in the Vietnamese language press have also pointed out that Hai is well known for his lavish spending habits, for frequenting local nightclubs and for his marriage to a former Miss Vietnam.

3. Hai's father, Mai Van Dau, has been Vice Minister of Trade since 1992. His portfolio at MOT includes primary responsibility for making export and import policies and allocating import and export quotas, including for Vietnam's textile and garment exports. According to press reports, since his son's arrest, VM Dau has not returned to work at MOT, although he has not officially resigned from his position. (Note: VM Dau will be of retirement age at the end of this year. End Note.) In discussions with the press, the VM denied any knowledge of his son's "business" activities. MOT has not named anyone to replace VM Dau and Minister of Trade Truong Dinh Tuyen will reportedly oversee the textile quota allocation process for the moment.

4. Representatives of textile companies in Ho Chi Minh City report they believe the arrests will not affect quota that has already been allocated, but there is concern the scandal could affect allocation of 2005 quota. The head of a U.S. textile company told HCMC Econoff that there are reports that the GVN team responsible for allocating quota for the EU market would be tasked to allocate 2005 U.S. quota. This concerns textile reps because there is widespread belief that the EU quota allocation has not been handled transparently. The U.S. textile rep said the now-disgraced MOT quota allocation team was open to input from the industry. Even when the team's decisions were not popular, the industry at least felt their interests had been heard. The industry now worries they will lose their line of communication with the MOT.

MARINE.